

Greater Montréal A Great Place to Invest in FinTech





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01

Montréal: A Leading Financial Centre





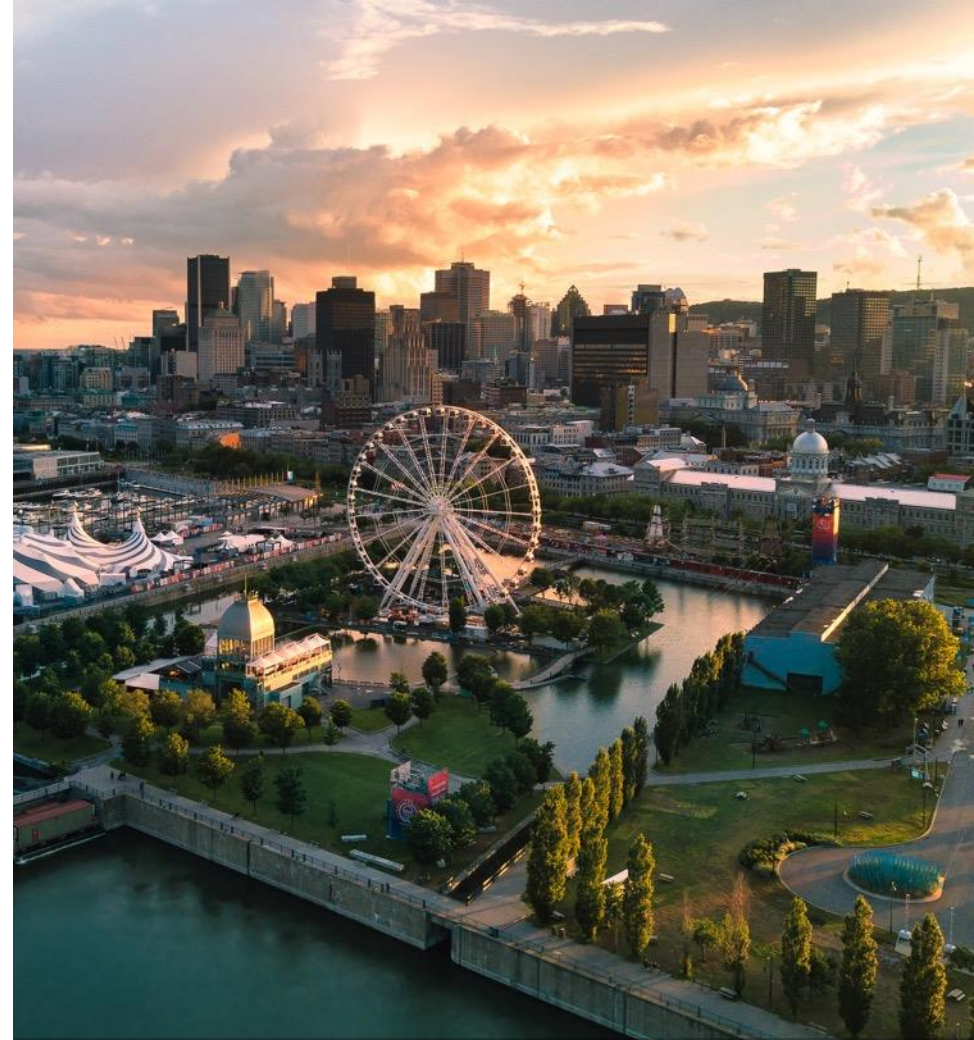
A leading financial centre

Montréal is the 6th largest International Financial Centre in North America according to the 2019 Global Financial Centers Index

- **100,000 jobs** in more than **3,000 companies**
 - **50%** in Banking and Financial Intermediation
 - **30%** in Insurance
 - **15%** in Securities and Fund Management
 - Montréal's Financial Services industry generates **6.3% of the region's GDP**
- **250 pension funds** in Greater Montréal (CDPQ, Hydro-Québec, Air Canada, CN, etc.)
- Pole on Retirement Applied Research (PRAR)

An amazing playground for FinTechs

- Almost **50 International Financial Centres**, including **three bank headquarters** and the **biggest credit union** in Canada
- **150 foreign-controlled** financial institutions and FinTechs, which represents roughly **40% of financial-related jobs** found in the city
- **Four business schools** and **four universities** with renowned **engineering programs**
- An operating cost advantage of 27% for a **FinTech company** compared to the average of the 20 largest metropolitan areas in Canada and the U.S.



Old Port, Grande-Rue and downtown Montréal © Loïc Romer

Montréal has an extensive network of venture capital investors

FinTech specialized VCs

Luge
CAPITAL



FERST
CAPITAL
PARTNERS



IQ Investissement
Québec

TANDEM
EXPANSION FUND

Desjardins
Capital

FONDATION
CSN POUR LA COOPÉRATION
ET L'EMPLOI

Kilmer Capital Partners
Private Equity Investors



Caisse de dépôt et placement
du Québec

TERALYS
CAPITAL

FONDS
de solidarité FTQ

NOVACAP

BDC
L'entrepreneur d'abord

real

WHITE STAR
CAPITAL

brightspark
ventures

Yolo
ventures

inovia

rho
CANADA VENTURES

INDICATOR
VENTURES

- A strong financial industry that invests in innovation:
CA\$861M in Venture Capital investments (74 deals) for 2018

Greater Montréal: a hub of key technology accelerators and incubators



Accelerator specialized in FinTech and AI



McGill University accelerator



Accelerator specialized in digital transformation for major financial institutions



Specialized services for startup and development-stage tech companies



Accelerator/platform which provides capital to support FinTech startups



Acceleration program focused on the pre-seed to seed stage



Investment and development hub serving organizations but not startups



Concordia University accelerator



University of Montréal accelerator (Polytechnique, HEC, UdeM)



A physical campus dedicated to supporting the Montréal Startup ecosystem



Specialized in blockchain and cryptoassets



Emerging technologies accelerator



École de technologie supérieure accelerator

A unique, interconnected & collaborative ecosystem of AI researchers, startups and major players

- **More than 1,000 scientists** (professors, professionals and students) with complementary areas of expertise
- **#1 for publications worldwide**
- **Over 40 academic programs**



\$93.5 M

from the First Research Excellence Fund (2016)

\$100 M

over the next 5 years for the creation of a Québec AI cluster (2017)

\$40 M

over the next 5 years for the creation of a Québec AI cluster (2017)

Montréal chosen as headquarters for SCALE AI, the only Canadian AI cluster

\$290 M

For Scale AI Supercluster (2018)

\$329 M

over the next 5 years to accelerate the adoption of AI in Québec (2019)



Montréal ranks in the top 20 of Compass' Global Startup Ecosystem Ranking, and is home to a growing FinTech community

Mobile and electronic payments



AI/big data/integrators



BOREALIS AI

RBC Institute for Research



Financial software and engineering

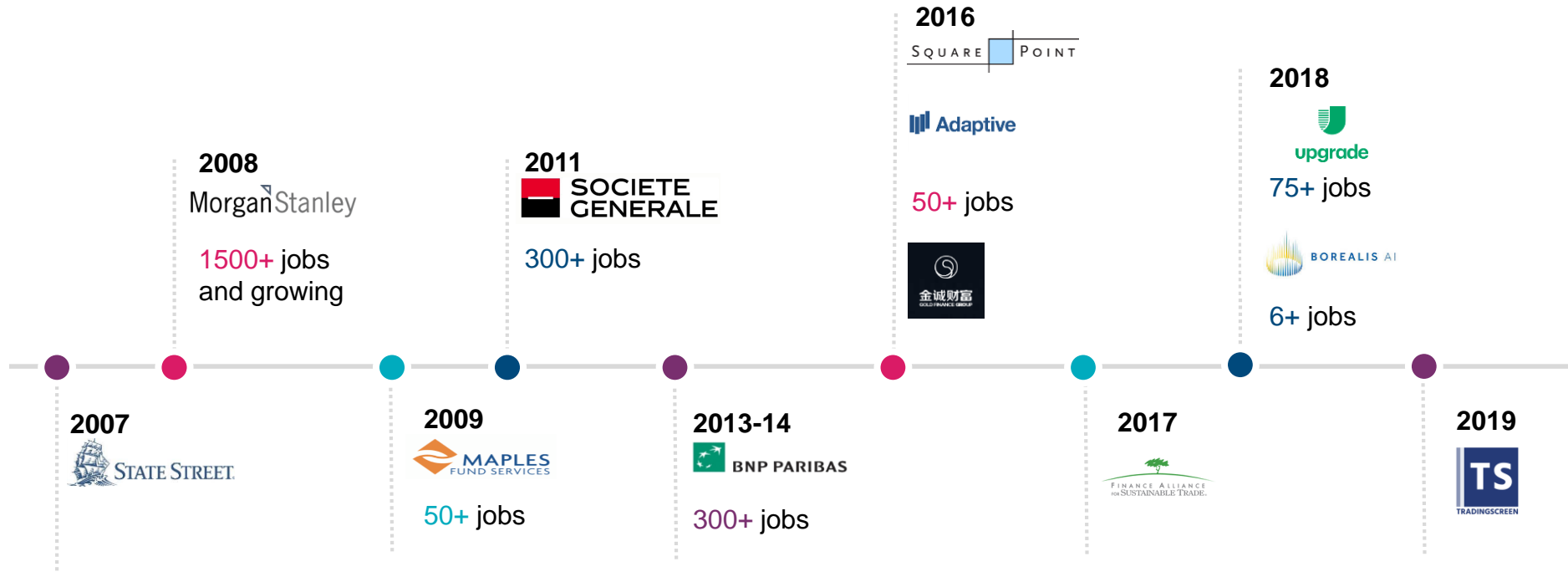


Cryptocurrencies



Montréal has emerged as a key regional platform to support North American activities

Recent key foreign investments in FinTech



Morgan Stanley



A testimonial from Alan Vesprini,
Managing Director

Set up in 2008,
Morgan Stanley has grown
its workforce to 1,500
employees in software
development.

Costs & incentives

For the last 10 years, savings due to the R&D tax credit & Development of E-Business tax credit have fueled the company's growth.

Lower operating costs and availability of affordable office space have facilitated the scale-up: IT employees in Montréal are 6% cheaper than in Toronto and the office space is 17% cheaper.

100% technology-based centre

"We like to hire really smart problem solvers, and Québec universities are producing the kind of talent we need."

Customers include major Canadian financial institutions such as CIBC Wood Gundy, TD, National Bank of Canada (NBC), and Desjardins.

Montréal as the most cost-effective and valuable site location

"Our decision was based on a market study that looked at the availability of skills in local markets, market size, costs, local incentives, university programs and number of graduates."

Loyal and diverse pool of employees

"The Centre prides itself on a high employee retention rate. To maintain the loyalty of its employees, the company's location has to have a big appeal. Being in Montréal is definitely a plus for our employees. They come from all corners of the world and appreciate the cosmopolitan nature of the city."

Samples of leading companies based in Montréal: Mobile & Electronic Payments



- Mobeewave develops a platform which turns your smartphone into a payment terminal.
- The company closed a US\$16.5 million **series B** round in November 2018 led by NewAlpha Asset Management, Mastercard and Forestay Capital.
- Mobeewave also increases **Series B** Round with investment from Samsung Venture Investment Corporation bringing the total amount to almost US\$20 million in January 2019.



- Lightspeed provides point of sale (POS) systems.
- The company raised a US\$166 million **series D** round in 2017.
- Tech unicorn stock jumps after TSX initial public offering (IPO) in March 2019: Lightspeed issued 15-million subordinate voting shares at a price of \$16 per share, resulting in gross proceeds of CA\$240 million.

World's largest ecosystem for Cryptocurrency & Blockchain startups

Montréal is one of the **world's leading blockchain hubs**: 38% of Canada's cryptocurrency and blockchain companies are based in Montréal. The city boasts an active bitcoin community that gathers over 24 companies, and 25 bitcoin ATMs for low-value transactions and money transfers, the highest number in Canada.



- Co-founded by Montréal entrepreneur Austin Hill, blockstream, a blockchain technology company, has raised \$25M in series B funding from DG lab fund.



- Scaling Bitcoin Workshop, the world's largest gathering of bitcoin developers, took place in Montréal in early September 2015.

02

A Deep and Growing Pool of Highly Qualified Talent



Finance: a growing and skilled labour force



Montréal's workforce of +2 million workers is among North America's most dynamic, with turnover rates below American averages.

Occupations in number of jobs - Montréal

| | |
|--|----------------|
| 0111 Financial Managers | 7,300 |
| 0121 Insurance, Real Estate and Financial Brokerage Managers | 4,100 |
| 0122 Banking, Credit and other Investment Managers | 10,400 |
| 0414 Other Managers in Public Administration | 3,800 |
| 1111 Financial Auditors and Accountants | 28,300 |
| 1112 Financial and Investment Analysts | 10,900 |
| 1113 Securities Agents, Investment Dealers and Brokers | 3,200 |
| 1114 Other Financial Officers | 19,500 |
| 1312 Insurance Adjusters and Claims Examiners | 2,600 |
| 1434 Banking, Insurance and other Financial Clerks | 4,200 |
| 1435 Collectors | 1,600 |
| 2161 Mathematicians, Statisticians and Actuaries | 2,200 |
| 6231 Insurance Agents and Brokers | 6,000 |
| 6235 Financial Sales Representatives | 7,300 |
| Total | 111,400 |

More than **110,000 finance specialists** are employed in Greater Montréal

The city's financial workforce is on par with that of other major financial centres:

- **Same professional titles and associations** as in NYC and London, i.e. CFA, PRM, FRM, CPA, etc.
- **Same pro rata number of financial professionals and FS association memberships** as in NYC and London, i.e. 2,500 CFA, 350 GARP, 4,781 PRMIA members, 16,000 CPA, etc.
- **11th largest CFA association** worldwide

IT: A growing and skilled labour force



IT occupations, number of jobs – Montréal

| | |
|---|----------------|
| Computer, Information Systems and Telecommunication Carriers Managers | 14,100 |
| Electrical and Electronics Engineers | 3,200 |
| Computer Engineers (Except Software Engineers and Designers) | 6,100 |
| Information Systems Analysts and Consultants | 38,100 |
| Database Analysts and Data Administrators | 2,900 |
| Software Engineers and Designers | 5,900 |
| Computer Programmers and Interactive Media Developers | 25,500 |
| Web Designers and Developers | 7,200 |
| Computer Network Technicians | 12,300 |
| Others | 22,300 |
| Total | 137,600 |

Ease of Recruitment

- The IT industry counts **137,600 workers** directly in the tech industry (close to 1 in 10 jobs in the private sector).
- Figure is even higher when IT employees from outside the tech industry are counted (public sector, non-tech industries, etc.).
- According to Aon Hewitt, Montréal ranked 3rd in North America in the lowest overall risk associated with recruiting, employing and relocating workers.

A large pool of university students



Thanks to four business schools and four university institutions with renown engineering programs, Montréal boasts a highly qualified workforce.

| Finance, banking and IT related programs | University students enrolled in 2017-2018 | Graduates 2017 |
|---|--|-------------------|
| Business Administration | 12,950 | 4,943 |
| Banking & Finance | 5,575 | 1,694 |
| Production Management | 1,122 | 332 |
| Computer Sciences | 8,104 | 1,558 |
| Computer Engineering | 2,002 | 374 |
| Mathematics | 1,438 | 262 |
| Applied mathematics | 130 | 27 |
| Probabilities and Statistics | 190 | 35 |
| TOTAL | 31,511 | 9,225 |

More than 31,000 university students enrolled in programs related to Finance, Banking and IT.

Close to **10,000 university graduates** join a workforce of 110,000 Finance specialists and 137,000 in IT in Montréal.

Best student city in the Americas



- QS *Best Student Cities 2018* ranks **Montréal as the best student city in North America**
- **Two universities** in the world's top according to the QS World University Rankings 2019
 - McGill University (#33)
 - University of Montréal (#149)
- An **internationally renowned and bilingual environment** for its foreign students

HEC MONTRÉAL

ESG UQÀM
École des sciences de la gestion
Université du Québec à Montréal

UNIVERSITÉ
Concordia
UNIVERSITY
JOHN A. MOLSON
SCHOOL OF BUSINESS

DESAUTELS
Faculty of Management
Faculté de gestion

ÉTS
Le génie pour l'industrie

POLYTECHNIQUE
MONTREAL
TECHNOLOGICAL
UNIVERSITY

McGill

UNIVERSITÉ
Concordia
UNIVERSITY



McGill University **rank 3rd in Canada**
and 33rd worldwide

HEC MONTRÉAL

HEC Montréal's intensive MBA program stands out:

- Included on **Forbes' list of Best International MBAs: One-Year Programs**
- Among **Canada's Top 10 Best MBA Schools (2017)** according to *Canadian Business*, and ranked **6th best Canadian MBA School** by QS World University Rankings 2019
- Home to the **Montréal Institute of Structured Finance and Derivatives**

03

Attractive Operating Costs and Incentives

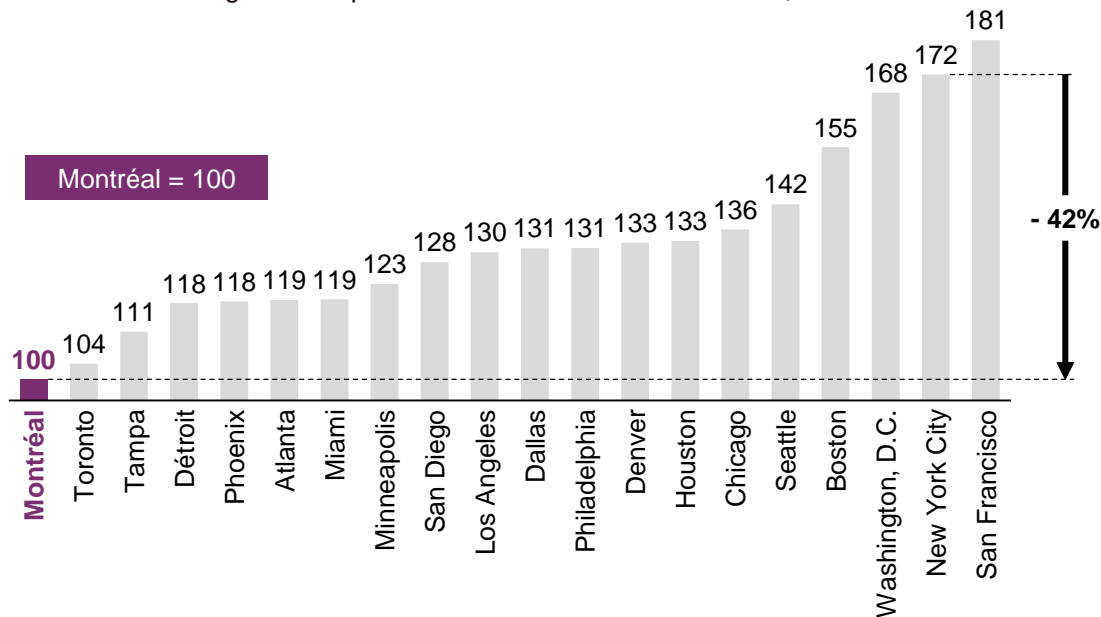


Most competitive operating costs for banking operations



Total operating costs for banking operations

20 largest metropolitan areas in Canada and the U.S., 2019



Running a business costs less in **Greater Montréal** than in any other major metropolitan area in Canada and the U.S.:

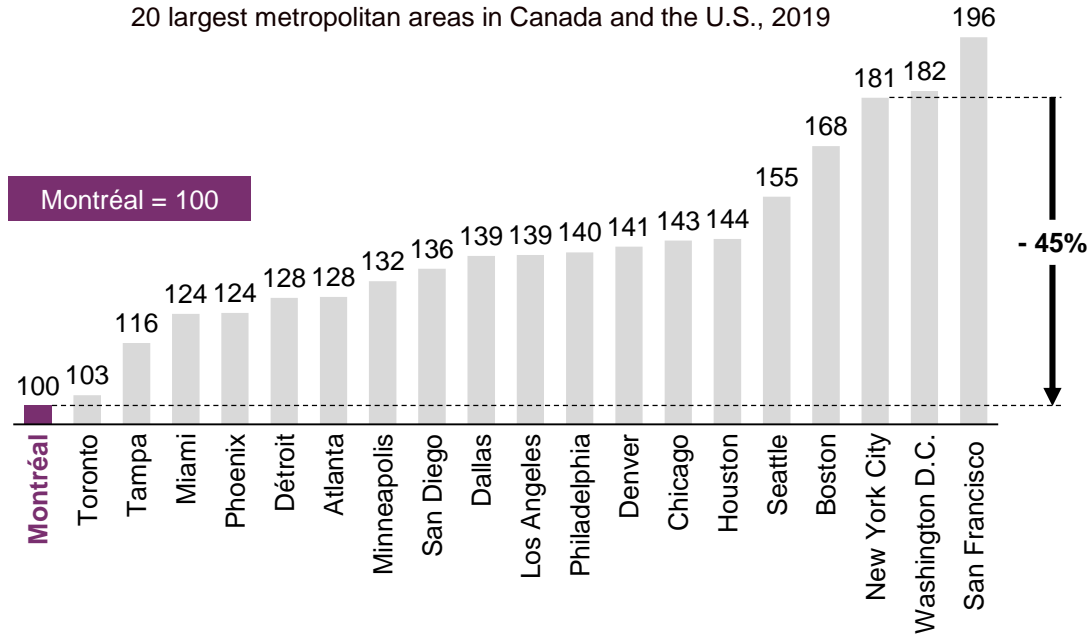
- **1st rank:** The most competitive operating costs of the 20 largest metropolitan areas in Canada and the U.S. (2019) for banking operations
- **25% cost advantage** compared to the average of the 20 largest metropolitan areas in Canada and the U.S. (2019)

Most competitive operating costs for software development



Total operating costs for software development

20 largest metropolitan areas in Canada and the U.S., 2019



Running a business costs less in **Greater Montréal** than in any other major metropolitan area in Canada and the U.S.:

- **1st rank:** The most competitive operating costs compared to any other major metropolitan area in Canada and the U.S.
- **29% cost advantage** compared to the average of the 20 largest metropolitan areas in Canada and the U.S. (2019)

Competitive IT salaries

Median annual salaries* (US\$) for eight typical professions in software development

| | Montréal | MONTRÉAL with E-business tax credit applied (assume 100% eligibility) | Toronto | Chicago | Boston | New York | San Francisco |
|---------------------------|----------|--|----------|-----------|-----------|-----------|------------------|
| Software Developer Lead | \$77,457 | \$54,120 | \$81,941 | \$116,847 | \$125,388 | \$133,985 | \$138,356 |
| Software Engineer | \$69,375 | \$48,563 | \$73,512 | \$101,063 | \$108,117 | \$114,503 | \$119,064 |
| Software Developer | \$68,736 | \$48,115 | \$72,845 | \$101,633 | \$108,741 | \$115,205 | \$119,761 |
| Computer Database Analyst | \$79,551 | \$55,686 | \$62,534 | \$86,291 | \$92,052 | \$96,434 | \$101,124 |
| Finance Manager | \$56,025 | \$39,217 | \$59,895 | \$83,816 | \$92,515 | \$102,538 | \$101,254 |
| Financial Analyst | \$50,289 | \$35,202 | \$53,777 | \$72,774 | \$78,176 | \$89,275 | \$85,597 |
| Insurance Agent | \$36,608 | \$27,026 | \$41,623 | \$54,176 | \$60,020 | \$60,297 | \$62,981 |
| Accountant | \$44,570 | \$31,198 | \$47,718 | \$61,794 | \$66,935 | \$74,753 | \$72,575 |

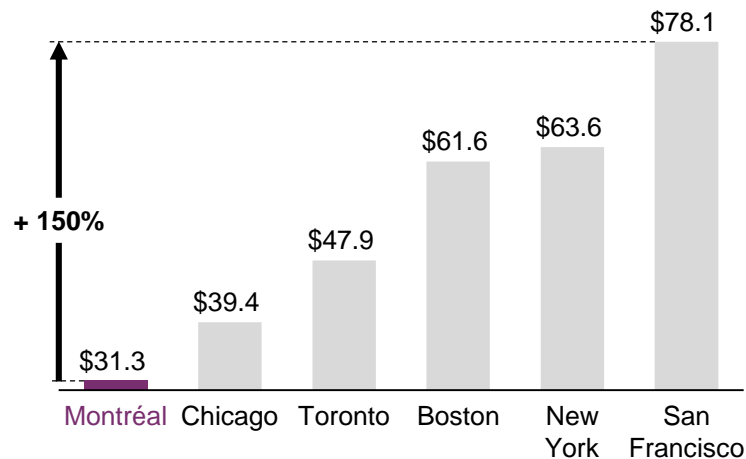
- IT salaries in Montréal are, on average, **66% lower** than in major U.S. cities.
- This difference is made even greater thanks to the E-Business tax credit that can provide up to a **30% tax credit** on eligible employees salaries (up to \$25,000/employee/year).

Note: Salaries based on 5 years of experience, Computer systems design and related services (NAICS 541514) & Banking (NAICS 52111) | Currency exchange CA\$1 = US\$0.74.
Source: Economic Research Institute, Inc., February 2019.

Affordable rent

Average office space rent (US\$/sq.ft./yr)

Six of the largest metropolitan areas in North America, 2019



- The average real estate cost for a class A office space CBD in Montréal is 30% less than Chicago and 100% lower than New York



Tailor-made incentives available

Industry credits

- **Tax Credit for E-Business Development**

The E-Business tax credit is unique in North America and aims to foster the development of information technologies. **Refundable tax credit equal to 30%** (24% refundable and 6% non-refundable) of eligible salaries, **up to \$25,000 per employee per year**.

- **IFC Montréal Fiscal Measure**

Refundable tax program for International Financial Centres (IFCs):
Covers up to **24%** of employee salaries up to **\$18,000** per job per year: back-office operations, financial leasing, foreign exchange operations, compliance, accounting, KYC, etc.

Research and development

- **R&D tax credits**

Québec: **14% tax credit on salaries and subcontractor fees** paid in Québec. It is fully refundable, whether or not the business makes a profit.
Canada: **15% federal tax credit on eligible activities and expenditures**. Unused R&D tax credits may be carried forward up to 20 years and carried back for three years. The combined measures allow businesses to cut noticeably their R&D costs.

- **Tax Holiday for Foreign Researchers and Experts**

Five-year Québec income tax exemption at the personal level:
100% of salary for the 1st and 2nd year; **75%** for the 3rd year; **50%** for the 4th year; **25%** for the 5th year.

Major and innovative projects

- **ESSOR Fund for Major Projects**

Provides support to major projects with refundable (interest-free & low interest loans) and non-refundable contributions, loan guarantees. Investment projects with eligible expenditures of **\$250,000** or more to start a new business or expand (including modernizing) an existing business.

Labour development

- **Financial Assistance for Job Creation and Training**

25% of eligible costs for the implementation of a training program and **50% of costs** incurred for the creation of a human resources department with the creation of 50 jobs or more over two years.

E-business tax credit could cover up to 30% of your eligible employees' salaries

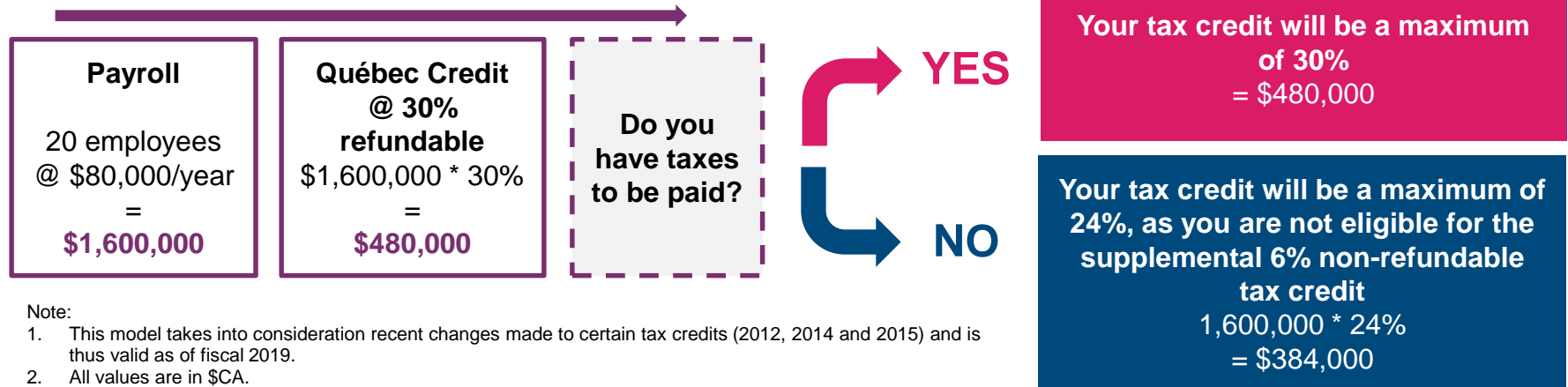
SCENARIO 1 (\$)

Refundable tax credits for the development of E-business (CDAE):

- Covers up to **30%** of employee salaries, including **24% refundable**, up to **\$25,000** per employee per year

ASSUMPTIONS^{1,2}

- Foreign-controlled private company
- 20 eligible employees @ \$80,000/year
- 100% of their work is related to eligible activities for the E-business tax credit



Note:

- This model takes into consideration recent changes made to certain tax credits (2012, 2014 and 2015) and is thus valid as of fiscal 2019.
- All values are in \$CA.
- The unused portion of the non-refundable tax credit can be carried back 3 tax years or forward 20 tax years.

Source: Ministry of Finance of Québec, 2019 Compilation: Montréal International, 2019.

R&D tax credits: 15% non-refundable from the government of Canada and 14% refundable from Québec

SCENARIO 2 (\$)

Scientific Research and Experimental Development (SR&ED) tax incentive program 2018

ASSUMPTIONS¹

- Private, foreign-controlled company, more than \$75M assets
- 15 eligible employees @ \$100,000/year
- 100% of their work is related to eligible activities
- Subcontractor: \$200,000

| | Canada (Federal) | Québec |
|---|--|--|
| Qualifying salaries and wages | \$1,500,000 (A) | \$1,500,000 (D) |
| Other eligible expenses @ 55% ² | \$825,000 (B) | - |
| Subcontractor ³ | \$160,000 (C) | \$100,000 (E) |
| Exclusion on the first \$225,000 of R&D expenditures ⁴ | - | \$(225,000) (F) |
| Total qualifying expenditures | \$2,485,000 (A) + (B) + (C) | \$1,375,000 (D) + (E) - (F) |
| Refundable Québec credit @ 14% | - | \$192,500 (G) |
| Non-refundable federal credit @ 15% | \$372,750 (H) | - |
| Total tax credit | \$556,250 (G) + (H) | |

Note:

1. This model takes into consideration recent changes made to certain tax credits (2012, 2014 and 2015) and is thus valid as of fiscal 2019.
2. Up to 55% of qualifying salaries and wages, federal only: expenditures should be related to R&D activities.
3. Only 80% of the amount paid to a subcontractor is eligible for a federal tax credit and 50% for Québec tax credit.
4. Québec only: For SMEs (less than \$50M assets) there is an SR&ED tax credit exclusion on the first \$50K of R&D spending. For large companies (more than \$75M assets) and companies under foreign control, the exclusion applies on the first \$225K of R&D spending. This amount is deducted of the qualifying salaries and wages.

Source: Ministry of Finance of Québec, 2019; PWC, 2019. Compilation: Montréal International, 2019.

Combination of E-business (CDAE) and SR&ED tax credits

Refundable tax credits for Scientific Research and Experimental Development (SR&ED) and E-business (CDAE)¹:

- E-business covers up to **30%**, including **24% refundable**, of employee salaries up to **\$25,000** per job per year
- SR&ED covers **15%** from the Government of Canada, and **14%, refundable**, from the Government of Québec

SCENARIO 3 (\$)

Combination of the Québec refundable tax credit for the development of E-business (CDAE) and the federal Scientific Research and Experimental Development (SR&ED), 2018

ASSUMPTIONS²

- Foreign-controlled private company
- 20 eligible employees @ \$80,000/year
- 100% of their work is related to eligible activities
- 100% of their work is related to activities eligible for the CDAE and the SR&ED tax credits

| | SR&ED | CDAE |
|---|----------------------------|------------------------|
| | FEDERAL | QUÉBEC |
| Qualifying salaries and wages | \$1,600,000 (A) | \$1,600,000 (C) |
| Other eligible expenses @ 55% ³ | \$880,000 (=0,55*B) | - |
| Total qualifying expenditures | \$2,480,000 (A)+(B) | \$1,600,000 (C) |
| Federal credit @ 15% of total qualifying expenditures | \$372,000 | - |
| Québec credit @ 30%⁴ of total qualifying expenditures | - | \$480,000 |
| Total credit | \$852,000 | |

Note:

1. Company has to choose between the SR&ED or the E-business tax credit for the Québec credit.
2. This model takes into consideration recent changes made to certain tax credits (2012, 2014 and 2015) and is thus valid as of fiscal 2019.
3. Up to 55% of qualifying salaries and wages, federal only: expenditures should be related to R&D activities.
4. If the company has no taxes to be paid, the Québec credit will be 24%.

Source: Ministry of Finance of Québec, 2019 - Compilation: Montréal International, 2019.

Tailor-made incentives

Refundable tax program for International Financial Centres (IFCs):
Covers up to 24% of employee salaries up to \$18,000 per job, per year

SCENARIO 4 (\$)

IFC Montréal Tax Measures

| | | | |
|-------------------------------------|-------------|-------------|-------------|
| Salary paid | \$40,000 | \$50,000 | \$75,000 |
| Tax credit per job | \$9,600 | \$12,000 | \$18,000 |
| Tax credit for 20 employees | \$192,000 | \$240,000 | \$360,000 |
| Tax credit for 100 employees | \$960,000 | \$1,200,000 | \$1,800,000 |
| Tax credit for 300 employees | \$2,880,000 | \$3,600,000 | \$5,400,000 |

Note:

1 Activities must involve at least one of the 25 Qualified International Financial Transactions (QIFT).

2 The transaction must cross a border (the client or the product is non-Canadian).

3 Operations must be conducted by a corporation and employ at least 6 employees.

* Back-office operations include but are not limited to fund accounting, registration of transactions, custody services, insurance or administration of insurance policies, processing of claims, entering transactions, transfer of funds and securities, reconciliation, etc.

SCENARIO 4 (\$)

IFC Montréal Tax Measures

Qualified International Financial Transactions

- | | |
|--|--|
| 1 Dealing in securities | 15 Factoring services |
| 2 Clearing house services | 16 Financial leasing |
| 3 Investment advising and portfolio management | 17 Organization of a qualified investment fund |
| 4 Deposits | 18 Administration of a qualified investment fund |
| 5 Loans | 19 Management of a qualified investment fund |
| 6 Loans and deposits among IFCs | 20 Distribution of the shares of a qualified investment fund |
| 7 Acceptance or issuance of letters of credit | 21 International treasury management |
| 8 Financing by means of a bill of exchange | 22 Back-office operations* |
| 9 Foreign exchange operations | 23 Documentary collection |
| 10 Financial packaging (engineering) | 24 Activities performed under the Québec Immigrant Investor Program |
| 11 Development or design of new financial products | 25 Discount operations carried out regarding a letter of credit or a commercial instrument |
| 12 Insurance brokerage | |
| 13 Reinsurance | |
| 14 Fiduciary services | |

04

Montréal International's Personalized, Free and Confidential Services



Montréal international, a single point of access to a multitude of personalized, free and confidential services



**Long-term
strategic support**



**Economic data
and communication
services**



**Government
relations facilitation**



**Incentive programs
assistance**



**Foreign workers
immigration
assistance**



**International
recruiting missions**



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